

**ANNUAL STATEMENT**

OF THE

**LM Property & Casualty Insurance Company**

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of **Indianapolis**

in the state of **Indiana**

TO THE

**Insurance Department**

OF THE

STATE OF

**FOR THE YEAR ENDED  
December 31, 2007**

PROPERTY AND CASUALTY

**2007**



32352200720100100

**ANNUAL STATEMENT**

For the Year Ended December 31, 2007

OF THE CONDITION AND AFFAIRS OF THE

**LM Property and Casualty Insurance Company**

NAIC Group Code 0111 0111 NAIC Company Code 32352 Employer's ID Number 22-2053189  
(Current Period) (Prior Period)

Organized under the Laws of Indiana, State of Domicile or Port of Entry Indiana

Country of Domicile United States of America

Incorporated/Organized: January 2, 1975 Commenced Business: March 28, 1975

Statutory Home Office: 251 East Ohio Street Suite 500 Indianapolis, IN 46204  
(Street and Number) (City, State and Zip Code)

Main Administrative Office: 175 Berkeley Street Boston, MA 02116 617-357-9500  
(Street and Number) (City, State and Zip Code) (Area Code)(Telephone Number)

Mail Address: 175 Berkeley Street Boston, MA 02116  
(Street and Number) (City, State and Zip Code)

Primary Location of Books and Records: 175 Berkeley Street Boston, MA 02116 617-357-9500  
(Street and Number) (City, State and Zip Code) (Area Code)(Telephone Number)

Internet Website Address: www.LibertyMutual.com

Statutory Statement Contact: Joanne Connolly 617-357-9500 44393  
(Name) (Area Code)(Telephone Number)(Extension)  
Joanne.Connolly@LibertyMutual.com 617-574-5955  
(E-Mail Address) (Fax Number)

**OFFICERS**

	Name	Title
1.	<u>James Paul Condrin, III</u>	<u>Chairman of the Board President &amp; CEO</u>
2.	<u>Dexter Robert Legg</u>	<u>Vice President &amp; Secretary</u>
3.	<u>Laurance Henry Soyer Yahia</u>	<u>Vice President &amp; Treasurer</u>

**Vice-Presidents**

Name	Title	Name	Title
<u>Margaret Dillon</u>	<u>Vice President &amp; Chief Financial Officer</u>	<u>John Derek Doyle</u>	<u>Vice President &amp; Comptroller</u>
<u>Anthony Alexander Fontanes</u>	<u>Vice President &amp; Assistant Treasurer</u>	<u>Gary Jay Ostrow</u>	<u>Vice President</u>
<u>Himanshu Indravadan Patel</u>	<u>Vice President</u>	<u>Timothy Michael Sweeney</u>	<u>Vice President</u>
<u>Edward Joseph Gramer, III</u>	<u>Vice President</u>	<u>Elizabeth Julia Morahan</u>	<u>Vice President &amp; General Counsel</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**DIRECTORS OR TRUSTEES**

<u>James Paul Condrin, III</u>	<u>Margaret Dillon</u>	<u>Himanshu Indravadan Patel</u>	<u>Kevin John Kirschner</u>
<u>Timothy Michael Sweeney</u>	<u>Edward Joseph Gramer, III</u>	<u>Elizabeth Julia Morahan</u>	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

State of Massachusetts  
 County of Suffolk ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

_____ (Signature) <u>James Paul Condrin, III</u> (Printed Name) 1. Chairman of the Board President & CEO (Title)	_____ (Signature) <u>Dexter Robert Legg</u> (Printed Name) 2. Vice President & Secretary (Title)	_____ (Signature) <u>Laurance Henry Soyer Yahia</u> (Printed Name) 3. Vice President & Treasurer (Title)
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Subscribed and sworn to before me this  
22nd day of January, 2008

a. Is this an original filing? YES [ X ] NO [ ]  
 b. If no: 1. State the amendment number \_\_\_\_\_  
 2. Date filed \_\_\_\_\_  
 3. Number of pages attached \_\_\_\_\_

## ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	183,779,497		183,779,497	280,403,681
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	4,410		4,410	870
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)				
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				
5. Cash (\$ 1,460,766, Schedule E-Part 1), cash equivalents (\$ 3,208,278 Schedule E-Part 2) and short-term investments (\$ 6,162,777, Schedule DA)	10,831,821		10,831,821	48,675,609
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities	24,356		24,356	33,845
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	194,640,084		194,640,084	329,114,005
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	2,037,263		2,037,263	3,014,276
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	102,971		102,971	265,407
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)	122		122	16,587
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	43,610,201		43,610,201	14,871,633
14.2 Funds held by or deposited with reinsured companies	569,012		569,012	621,286
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans				
16.1 Current federal and foreign income tax recoverable and interest thereon				3,532,057
16.2 Net deferred tax asset	3,104,000	1,327,763	1,776,237	1,153,989
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$ 0 )				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	5,866		5,866	2,671,621
22. Health care (\$ 0 ) and other amounts receivable				
23. Aggregate write-ins for other than invested assets				177,757
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	244,069,519	1,327,763	242,741,756	355,438,618
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	244,069,519	1,327,763	242,741,756	355,438,618

DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)				
2301. Other assets				177,757
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)				177,757

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 34, Column 8)	37,138,924	103,260,242
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6)	6,637,621	6,935,557
3. Loss adjustment expenses (Part 2A, Line 34, Column 9)	2,133,515	2,261,017
4. Commissions payable, contingent commissions and other similar charges		
5. Other expenses (excluding taxes, licenses and fees)		
6. Taxes, licenses and fees (excluding federal and foreign income taxes)		
7.1 Current federal and foreign income taxes (including \$ 0 on realized capital gains (losses))	299,608	
7.2 Net deferred tax liability		
8. Borrowed money \$ and interest thereon \$ 0		
9. Unearned premiums (Part 1A, Line 37, Column 5) (after deducting unearned premiums for ceded reinsurance of \$ 76,850 and including warranty reserves of \$ 0 )		
10. Advance premium		
11. Dividends declared and unpaid:		
11.1 Stockholders		
11.2 Policyholders		
12. Ceded reinsurance premiums payable (net of ceding commissions)	1,191,907	(105,610)
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19)	1,680,978	4,249,482
14. Amounts withheld or retained by company for account of others		
15. Remittances and items not allocated		
16. Provision for reinsurance (Schedule F, Part 7)	1,885,359	2,401,290
17. Net adjustments in assets and liabilities due to foreign exchange rates		
18. Drafts outstanding		
19. Payable to parent, subsidiaries and affiliates	15,899,554	45,482,494
20. Payable for securities		
21. Liability for amounts held under uninsured plans		
22. Capital notes \$ 0 and interest thereon \$ 0		
23. Aggregate write-ins for liabilities	7,911,444	33,479,504
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23)	74,778,910	197,963,976
25. Protected cell liabilities		
26. Total liabilities (Lines 24 and 25)	74,778,910	197,963,976
27. Aggregate write-ins for special surplus funds		
28. Common capital stock	4,400,000	4,400,000
29. Preferred capital stock		
30. Aggregate write-ins for other than special surplus funds		
31. Surplus notes		
32. Gross paid in and contributed surplus	151,550,955	151,550,955
33. Unassigned funds (surplus)	12,011,891	1,523,687
34. Less treasury stock, at cost:		
34.1 0 shares common (value included in Line 28 \$ 0 )		
34.2 0 shares preferred (value included in Line 29 \$ 0 )		
35. Surplus as regards policyholders (Lines 27 to 33, less 34) (Page 4, Line 39)	167,962,846	157,474,642
36. TOTALS (Page 2, Line 26, Col. 3)	242,741,756	355,438,618

<b>DETAILS OF WRITE-INS</b>		
2301. Other liabilities	3,109,832	4,772,856
2302. Collateral held for securities loaned	4,801,612	28,706,648
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	7,911,444	33,479,504
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page		
2799. Totals (Lines 2701 through 2703 plus 2798) (Line 27 above)		
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page		
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)		

<b>STATEMENT OF INCOME</b>	1	2
	Current Year	Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 34, Column 4)	(2,923)	13,399
DEDUCTIONS		
2. Losses incurred (Part 2, Line 34, Column 7)	(1,191,816)	(230,618)
3. Loss expenses incurred (Part 3, Line 25, Column 1)	1,078,129	2,877,775
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2)	(292)	(124)
5. Aggregate write-ins for underwriting deductions		
6. Total underwriting deductions (Lines 2 through 5)	(113,979)	2,647,033
7. Net income of protected cells		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7)	111,056	(2,633,634)
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17)	12,826,509	36,825,936
10. Net realized capital gains (losses) less capital gains tax of \$ (144,734) (Exhibit of Capital Gains (Losses))	(268,791)	(3,815,521)
11. Net investment gain (loss) (Lines 9 + 10)	12,557,718	33,010,415
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$ 0 amount charged off \$ 0 )		
13. Finance and service charges not included in premiums		
14. Aggregate write-ins for miscellaneous income	(32,068)	166
15. Total other income (Lines 12 through 14)	(32,068)	166
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	12,636,706	30,376,947
17. Dividends to policyholders		
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	12,636,706	30,376,947
19. Federal and foreign income taxes incurred	3,073,434	1,983,890
20. Net income (Line 18 minus Line 19) (to Line 22)	9,563,272	28,393,057
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2)	157,474,642	701,369,459
22. Net income (from Line 20)	9,563,272	28,393,057
23. Net transfers (to) from Protected Cell accounts		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$ (109,185)	(202,772)	175,169
25. Change in net unrealized foreign exchange capital gain (loss)		
26. Change in net deferred income tax	(1,846,185)	(7,954,671)
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 26, Col. 3)	2,359,249	3,102,418
28. Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1)	515,930	53,921
29. Change in surplus notes		
30. Surplus (contributed to) withdrawn from protected cells		
31. Cumulative effect of changes in accounting principles		
32. Capital changes:		
32.1 Paid in		
32.2 Transferred from surplus (Stock Dividend)		
32.3 Transferred to surplus		
33. Surplus adjustments:		
33.1 Paid in		(439,274,788)
33.2 Transferred to capital (Stock Dividend)		
33.3 Transferred from capital		
34. Net remittances from or (to) Home Office		
35. Dividends to stockholders		(128,291,212)
36. Change in treasury stock (Page 3, Lines 34.1 and 34.2, Column 2 minus Column 1)		
37. Aggregate write-ins for gains and losses in surplus	98,710	(98,711)
38. Change in surplus as regards policyholders for the year (Lines 22 through 37)	10,488,204	(543,894,817)
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 35)	167,962,846	157,474,642

<b>DETAILS OF WRITE-INS</b>		
0501.		
0502.		
0503.		
0598. Summary of remaining write-ins for Line 5 from overflow page		
0599. Totals (Lines 0501 through 0503 plus Line 0598) (Line 5 above)		
1401. Other income/(expense)	(32,068)	166
1402.		
1403.		
1498. Summary of remaining write-ins for Line 14 from overflow page		
1499. Totals (Lines 1401 through 1403 plus Line 1498) (Line 14 above)	(32,068)	166
3701. Other changes in surplus	98,710	(98,711)
3702.		
3703.		
3798. Summary of remaining write-ins for Line 37 from overflow page		
3799. Totals (Lines 3701 through 3703 plus Line 3798) (Line 37 above)	98,710	(98,711)

## CASH FLOW

	1	2
	Current Year	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance	1,473,495	613,942
2. Net investment income	14,009,219	45,125,622
3. Miscellaneous income	(2,397,340)	(27,083,775)
4. Total (Lines 1 through 3)	13,085,374	18,655,789
5. Benefit and loss related payments	93,966,007	58,277,365
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	1,205,339	19,072,512
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)	(902,965)	3,676,067
10. Total (Lines 5 through 9)	94,268,381	81,025,944
11. Net cash from operations (Line 4 minus Line 10)	(81,183,007)	(62,370,155)
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	100,665,121	670,813,914
12.2 Stocks		
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds	9,489	387,325
12.8 Total investment proceeds (Lines 12.1 to 12.7)	100,674,610	671,201,239
13. Cost of investments acquired (long-term only):		
13.1 Bonds	4,975,655	55,202,939
13.2 Stocks		
13.3 Mortgage loans		
13.4 Real estate		
13.5 Other invested assets		
13.6 Miscellaneous applications		2,605,883
13.7 Total investments acquired (Lines 13.1 to 13.6)	4,975,655	57,808,822
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	95,698,955	613,392,417
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		(439,274,788)
16.3 Borrowed funds	377	
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		128,291,212
16.6 Other cash provided (applied)	(52,360,113)	4,705,258
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(52,359,736)	(562,860,742)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(37,843,788)	(11,838,480)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	48,675,609	60,514,089
19.2 End of year (Line 18 plus Line 19.1)	10,831,821	48,675,609

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001.		
20.0002.		
20.0003.		

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1- PREMIUMS EARNED**

Line of Business	1 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums Dec. 31 Prior Year - per Col. 3, Last Year's Part 1	3 Unearned Premiums Dec. 31 Current Year - per Col. 5 Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1. Fire				
2. Allied lines				
3. Farmowners multiple peril				
4. Homeowners multiple peril				
5. Commercial multiple peril				
6. Mortgage guaranty				
8. Ocean marine				
9. Inland marine				
10. Financial guaranty				
11.1 Medical malpractice - occurrence				
11.2 Medical malpractice - claims-made				
12. Earthquake				
13. Group accident and health				
14. Credit accident and health (group and individual)				
15. Other accident and health				
16. Workers' compensation				
17.1 Other liability - occurrence				
17.2 Other liability - claims-made				
18.1 Products liability - occurrence				
18.2 Products liability - claims-made				
19.1, 19.2 Private passenger auto liability				
19.3, 19.4 Commercial auto liability				
21. Auto physical damage				
22. Aircraft (all perils)				
23. Fidelity				
24. Surety				
26. Burglary and theft				
27. Boiler and machinery				
28. Credit				
29. International				
30. Reinsurance-Nonproportional Assumed Property				
31. Reinsurance-Nonproportional Assumed Liability	(2,923)			(2,923)
32. Reinsurance-Nonproportional Assumed Financial Lines				
33. Aggregate write-ins for other lines of business				
34. TOTALS	(2,923)			(2,923)

DETAILS OF WRITE-INS				
3301.				
3302.				
3303.				
3398. Summary of remaining write-ins for Line 33 from overflow page				
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)				

**NONE Underwriting and Investment Exhibit - Part 1A**



**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 1B - PREMIUMS WRITTEN**

Line of Business	1 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written Cols. 1 + 2 + 3 - 4 - 5
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire	16,206		101,549	117,755		
2. Allied lines	6,727		112,953	119,680		
3. Farmowners multiple peril						
4. Homeowners multiple peril	3,506		270,375	(128,508)	402,389	
5. Commercial multiple peril						
6. Mortgage guaranty						
8. Ocean marine						
9. Inland marine						
10. Financial guaranty						
11.1 Medical malpractice - occurrence						
11.2 Medical malpractice - claims-made						
12. Earthquake						
13. Group accident and health						
14. Credit accident and health (group and individual)						
15. Other accident and health						
16. Workers' compensation						
17.1 Other liability - occurrence			14	14		
17.2 Other liability - claims-made						
18.1 Products liability - occurrence						
18.2 Products liability - claims-made						
19.1, 19.2 Private passenger auto liability	3,378	(400)	(171,960)	(168,255)	(727)	
19.3, 19.4 Commercial auto liability						
21. Auto physical damage	(676)	(598)	(1,757)	(2,257)	(774)	
22. Aircraft (all perils)						
23. Fidelity						
24. Surety						
26. Burglary and theft	16			16		
27. Boiler and machinery						
28. Credit						
29. International						
30. Reinsurance-Nonproportional Assumed Property	X X X					
31. Reinsurance-Nonproportional Assumed Liability	X X X		(2,760)		164	(2,924)
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X					
33. Aggregate write-ins for other lines of business						
34. TOTALS	29,157	(998)	308,414	(61,555)	401,052	(2,924)

DETAILS OF WRITE-INS						
3301.						
3302.						
3303.						
3398. Summary of remaining write-ins for Line 33 from overflow page						
3399. Totals (Lines 3301 through 3303 plus 3398) (Line 33 above)						

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [X]  
 If yes: 1. The amount of such installment premiums \$ 0  
 2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$ 0

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire	30,276	167,228	52,415	145,089		145,089		
2. Allied lines	(72,802)	40,068	(32,734)					
3. Farmowners multiple peril								
4. Homeowners multiple peril	7,232,805	363,665	523,467	7,073,003	394,972	8,030,711	(562,736)	
5. Commercial multiple peril								
6. Mortgage guaranty								
8. Ocean marine								
9. Inland marine	(608)		(608)					
10. Financial guaranty								
11.1 Medical malpractice - occurrence								
11.2 Medical malpractice - claims - made								
12. Earthquake	(43,807)		36,488	(80,295)	(229,210)	137,907	(447,412)	
13. Group accident and health								
14. Credit accident and health (group and individual)								
15. Other accident and health								
16. Workers' compensation								
17.1 Other liability - occurrence	1,764,316	2,051	1,766,367					
17.2 Other liability - claims - made								
18.1 Products liability - occurrence								
18.2 Products liability - claims - made								
19.1, 19.2 Private passenger auto liability	34,034,807	13,286,134	46,185,457	1,135,484	23,799,388	25,067,302	(132,430)	
19.3, 19.4 Commercial auto liability								
21. Auto physical damage	(119,186)	(48,096)	(173,007)	5,725			5,725	
22. Aircraft (all perils)								
23. Fidelity								
24. Surety								
26. Burglary and theft								
27. Boiler and machinery								
28. Credit								
29. International								
30. Reinsurance-Nonproportional Assumed Property	X X X							
31. Reinsurance-Nonproportional Assumed Liability	X X X	56,727,473	76,978	56,650,495	13,173,774	69,879,234	(54,965)	
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X						1,880,431	
33. Aggregate write-ins for other lines of business								
34. TOTALS	42,825,801	70,538,523	48,434,823	64,929,501	37,138,924	103,260,243	(1,191,818)	

**DETAILS OF WRITE-INS**

3301.							
3302.							
3303.							
3398. Summary of remaining write-ins for Line 33 from overflow page							
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)							

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies	4 Net Losses Excl. Incurred But Not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire	121,177	19,653	140,830		716,058	3,122	719,180		
2. Allied lines	20,337	10,747	31,084		588,534	4,155	592,689		
3. Farmowners multiple peril									
4. Homeowners multiple peril	7,300,769	239,303	7,145,100	394,972	2,123,208	479,314	2,602,522	394,972	
5. Commercial multiple peril									
6. Mortgage guaranty									
8. Ocean marine					368,370		368,372		(2)
9. Inland marine	6,359		6,359		467,145		467,145		
10. Financial guaranty									
11.1 Medical malpractice - occurrence									
11.2 Medical malpractice - claims - made									
12. Earthquake	171,038		400,249	(229,211)				(229,211)	
13. Group accident and health								(a)	
14. Credit accident and health (group and individual)								(a)	
15. Other accident and health									
16. Workers' compensation									
17.1 Other liability - occurrence	5,100	5,926	11,026		1,887,028		1,887,028		
17.2 Other liability - claims - made									
18.1 Products liability - occurrence									
18.2 Products liability - claims - made									
19.1, 19.2 Private passenger auto liability	232,831,088	10,483,115	219,514,816	23,799,387	2,370,357	938,618	3,308,975	23,799,387	
19.3, 19.4 Commercial auto liability									
21. Auto physical damage					15,988	5,370	21,358		
22. Aircraft (all perils)									
23. Fidelity									
24. Surety									
26. Burglary and theft									
27. Boiler and machinery									
28. Credit									
29. International									
30. Reinsurance-Nonproportional Assumed Property	X X X				X X X				
31. Reinsurance-Nonproportional Assumed Liability	X X X	57,864,098	57,244,630	619,468	X X X	18,072,494	5,518,187	13,173,775	2,133,515
32. Reinsurance-Nonproportional Assumed Financial Lines	X X X				X X X				
33. Aggregate write-ins for other lines of business									
34. TOTALS	240,455,868	68,622,842	284,494,094	24,584,616	8,536,688	19,503,073	15,485,456	37,138,921	2,133,515

DETAILS OF WRITE-INS									
3301.									
3302.									
3303.									
3398. Summary of remaining write-ins for Line 33 from overflow page									
3399. Totals (Lines 3301 through 3303 + 3398) (Line 33 above)									

(a) Including \$ 0 for present value of life indemnity claims.

**UNDERWRITING AND INVESTMENT EXHIBIT  
PART 3 - EXPENSES**

	1 Loss Adjustment Expenses	2 Other Underwriting Expenses	3 Investment Expenses	4 Total
1. Claim adjustment services:				
1.1 Direct	(5,716,742)			(5,716,742)
1.2 Reinsurance assumed	1,105,629			1,105,629
1.3 Reinsurance ceded	(5,258,420)			(5,258,420)
1.4 Net claim adjustment service (1.1 + 1.2 - 1.3)	647,307			647,307
2. Commission and brokerage:				
2.1 Direct, excluding contingent		1,811		1,811
2.2 Reinsurance assumed, excluding contingent		(18,705)		(18,705)
2.3 Reinsurance ceded, excluding contingent		(16,602)		(16,602)
2.4 Contingent-direct		(3,441,340)		(3,441,340)
2.5 Contingent-reinsurance assumed		10		10
2.6 Contingent-reinsurance ceded		(3,441,330)		(3,441,330)
2.7 Policy and membership fees				
2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7)		(292)		(292)
3. Allowances to manager and agents				
4. Advertising			477	477
5. Boards, bureaus and associations			5	5
6. Surveys and underwriting reports			94	94
7. Audit of assureds' records				
8. Salary and related items:				
8.1 Salaries			72,321	72,321
8.2 Payroll taxes			3,385	3,385
9. Employee relations and welfare			4,416	4,416
10. Insurance			687	687
11. Directors' fees				
12. Travel and travel items			1,198	1,198
13. Rent and rent items			1,011	1,011
14. Equipment			1,290	1,290
15. Cost or depreciation of EDP equipment and software			388	388
16. Printing and stationery			179	179
17. Postage, telephone and telegraph, exchange and express			347	347
18. Legal and auditing			9,665	9,665
19. Totals (Lines 3 to 18)			95,463	95,463
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$ 0				
20.2 Insurance department licenses and fees				
20.3 Gross guaranty association assessments				
20.4 All other (excluding federal and foreign income and real estate)				
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4)				
21. Real estate expenses				
22. Real estate taxes				
23. Reimbursements by uninsured plans				
24. Aggregate write-ins for miscellaneous expenses	430,823		6,755	437,578
25. Total expenses incurred	1,078,130	(292)	102,218	(a) 1,180,056
26. Less unpaid expenses-current year	2,133,515			2,133,515
27. Add unpaid expenses-prior year	2,261,017			2,261,017
28. Amounts receivable relating to uninsured plans, prior year				
29. Amounts receivable relating to uninsured plans, current year				
30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29)	1,205,632	(292)	102,218	1,307,558

DETAILS OF WRITE-INS				
2401. Other expenses	430,823		6,755	437,578
2402.				
2403.				
2498. Summary of remaining write-ins for Line 24 from overflow page				
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)	430,823		6,755	437,578

(a) Includes management fees of \$ 102,218 to affiliates and \$ 0 to non-affiliates.

### EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 2,993,108	2,636,276
1.1 Bonds exempt from U.S. tax	(a) 2,573,245	2,364,193
1.2 Other bonds (unaffiliated)	(a) 7,815,037	7,429,385
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 485,415	459,938
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income	39,752	39,752
10. Total gross investment income	13,906,557	12,929,544

11. Investment expenses		(g) 102,217
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h) 818
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		103,035
17. Net investment income (Line 10 minus Line 16)		12,826,509

DETAILS OF WRITE-INS		
0901. Miscellaneous Income/(Expense)	39,752	39,752
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	39,752	39,752
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15, above)		

- (a) Includes \$ 174,858 accrual of discount less \$ 380,555 amortization of premium and less \$ 9,125 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 0 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 0 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 0 depreciation on real estate and \$ 0 depreciation on other invested assets.

### EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds	(169,741)		(169,741)		
1.1 Bonds exempt from U.S. tax	118,800		118,800		
1.2 Other bonds (unaffiliated)	(362,584)		(362,584)	(315,497)	
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)				3,540	
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(413,525)		(413,525)	(311,957)	

DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)					

**EXHIBIT OF NONADMITTED ASSETS**

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants ( for Title insurers only )			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	1,327,763	3,687,011	2,359,249
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets			
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	1,327,763	3,687,011	2,359,249
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	1,327,763	3,687,011	2,359,249

<b>DETAILS OF WRITE-INS</b>			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301.			
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)			

## NOTES TO FINANCIAL STATEMENTS

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### **Note 1- Summary of Significant Accounting Policies**

#### A. Accounting Practices

Effective January 1, 2001, and subject to any deviations prescribed or permitted by the Indiana Department of Insurance, the accompanying financial statements of LM Property and Casualty Insurance Co. (the Company) have been prepared in conformity with the National Association of Insurance Commissioners (NAIC) *Accounting Practices and Procedures Manual* (APP Manual).

#### B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. It also requires estimates in the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

#### C. Accounting Policies

Premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro-rata methods. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

In addition, the Company uses the following accounting policies:

1. Short term investments are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the Purposes and Procedures Manual of the NAIC Securities Valuation Office (SVO Manual).
2. Bonds are carried at cost, adjusted where appropriate for amortization of premium or discount, or market as specified by the SVO Manual.
3. Common stocks are carried at market value.
4. The Company does not own preferred stocks.
5. The Company does not own mortgage loans.
6. Mortgage backed/asset backed securities are stated at amortized cost or market based on guidance in the SVO Manual. Prepayment assumptions for mortgage backed/asset backed securities are updated monthly using the Bloomberg data service. The retrospective adjustment method is used to value all mortgage backed/asset backed securities.
7. The Company does not own any subsidiaries, controlled, or affiliated entities.
8. The Company does not own any joint ventures, partnerships, or limited liability companies.
9. Derivative Securities refer to Note 8.
10. Refer to Note 29.
11. Unpaid losses and loss adjustment expenses include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates, and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and follow current standards of practice. Any adjustments to the liability are reflected in the period that they are determined.
12. The Company did not change its capitalization policy in 2007.
13. The Company has no pharmaceutical rebate receivables.

### **Note 2- Accounting Changes and Correction of Errors**

- 3 There were no material changes in accounting principles or corrections of errors during the year.

### **Note 3- Business Combinations and Goodwill**

#### A. Statutory Purchase Method

The Company did not enter into any statutory purchases during the year.

#### B. Statutory Mergers

The Company did not enter into any statutory mergers during the year.

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**NOTES TO FINANCIAL STATEMENTS**


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## C. Impairment Loss

Not applicable

**Note 4- Discontinued Operations**

The Company has no discontinued operations to report.

**Note 5- Investments**

## A. Mortgage Loans, Including Mezzanine Real Estate Loans

The Company has no mortgage loans.

## B. Troubled Debt Restructuring for Creditors

Not applicable

## C. Reverse Mortgages

The Company has no reverse mortgages.

## D. Loan-Backed Securities

1. The Company elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date, where historical cash flows are not readily available.
2. Prepayment speed assumptions are updated monthly with data sourced from the Bloomberg data service.
3. The Company had no negative yield situations requiring a change from the retrospective to prospective method.

## E. Repurchase Agreements

The Company did not enter into any repurchase agreements during the year.

## F. Real Estate

The Company does not own real estate.

## G. Investments in Low-Income Housing Tax Credits

The Company does not hold investments in low-income housing tax credits.

**Note 6- Joint Ventures, Partnerships & Limited Liability Companies**

## A. The Company has no investments in joint ventures, partnerships, or limited liability companies.

## B. Impairments on joint ventures, partnerships and limited liability companies

Not applicable

**Note 7- Investment Income**

## A. Accrued Investment Income

All investment income due and accrued over 90 days past due is excluded from Surplus.

## B. Amounts Nonadmitted

No amounts were excluded as of December 31, 2007.

**Note 8- Derivative Instruments**

The Company's investment activities do not include derivatives. However, the Company may acquire derivatives as additions to bond, common stock, or preferred stock investments. These derivatives are ancillary to the overall investment and are immaterial to the underlying investment portfolio.

**Note 9 - Income Taxes**

## A. The components of the net deferred tax assets and liabilities recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

	December 31, 2007	December 31, 2006	Change
Total of gross deferred tax assets	4,020,000	6,376,000	(2,356,000)
Total of deferred tax liabilities	(916,000)	(1,535,000)	619,000
Net deferred tax asset	3,104,000	4,841,000	(1,737,000)
Net deferred tax asset non-admitted	(1,327,763)	(3,687,011)	2,359,248
Net admitted deferred tax asset	1,776,237	1,153,989	622,248



## NOTES TO FINANCIAL STATEMENTS

- B. The Company does not have any deferred tax liabilities described in SSAP No. 10, Income Taxes, paragraph 6d.
- C. The provisions for incurred taxes on earnings for the years ended December 31 are:

	2007	2006
Federal tax on operations	3,073,434	3,253,763
Net operating loss benefit	0	(1,269,873)
Foreign tax on operations	0	0
Income tax incurred on operations	3,073,434	1,983,890
Tax on capital gains	(144,734)	(2,054,511)
Total income tax incurred	2,928,700	(70,621)

The Company's deferred tax assets and liabilities result primarily from discounting of unpaid loss and LAE reserves and deferred inter-company transactions.

The change in deferred income taxes is comprised of the following:

	2007
Change in net deferred income tax (without unrealized gain or loss)	(1,846,185)
Tax effect of unrealized (gains) losses	109,185
Total change in net deferred income tax	(1,737,000)

- D. Effective tax rates differ from the current statutory rate of 35% principally due to the effects of tax-exempt interest, excludible dividend income and revisions to prior year estimates.
- E. The amount of Federal income taxes paid and available for recoupment in the event of future losses is \$811,000 from the current year and \$6,161,000 from the preceding year.

The Company had no net loss carryforward available to offset future net income subject to Federal income taxes.

- F. The Company's Federal income tax return is consolidated with the following entities:

Access Insurance Services, Co.	Liberty Mutual Group Inc.
Ambco Capital Corporation	Liberty Mutual Holding Company, Inc.
America First Insurance Company	Liberty Mutual Insurance Company
America First Lloyds Insurance Company	Liberty Mutual Managed Care, Inc.
American Ambassador Casualty Company	Liberty Mutual Personal Insurance Company
American Fire & Casualty Insurance Company *	Liberty Northwest Insurance Corporation
Avomark Insurance Company *	Liberty Personal Insurance Company
Berkeley Holding Company Associates, Inc.	Liberty RE (Bermuda) Limited
Berkeley Management Corporation	Liberty Real Estate Corporation
Bridgefield Casualty Insurance Company	Liberty Sponsored Insurance (Vermont) Inc.
Bridgefield Employers Insurance Company	Liberty Surplus Insurance Corporation
Capitol Agency, Inc. (Arizona corporation)	Liberty-USA Corporation
Capitol Agency, Inc. (Ohio corporation)	LIH-Re of America Corporation
Capitol Agency, Inc. (Tennessee corporation)	LIH U.S. P&C Corporation
Cascade Disability Management, Inc.	LIIA Insurance Agency, Inc.
Colorado Casualty Insurance Company	LIU Specialty Insurance Agency, Inc.
Companies Agency Insurance Services of California	LLS Insurance Agency of Nevada, Inc.
Companies Agency of Alabama, Inc.	LM General Insurance Company
Companies Agency of Georgia, Inc.	LM Insurance Corporation
Companies Agency of Kentucky, Inc.	LM Personal Insurance Company
Companies Agency of Massachusetts, Inc.	LM Property & Casualty Insurance Company
Companies Agency of Michigan, Inc.	LMHC Massachusetts Holding, Inc.
Companies Agency of New York, Inc.	LRE Properties, Inc.
Companies Agency of Pennsylvania, Inc.	Mid-American Agency, Inc.
Companies Agency of Phoenix, Inc.	Mid-American Fire and Casualty Company
Consolidated Insurance Company	Missouri Agency, Inc.
Copley Venture Capital, Inc.	North Pacific Insurance Company
Countrywide Services Corporation	Oregon Automobile Insurance Company
Diversified Settlements, Inc.	OCASCO Budget, Inc *
Employers Insurance Company of Wausau	OCI Printing, Inc.*
Excelsior Insurance Company	Ohio Casualty Corporation *
Florida State Agency, Inc.	Ohio Casualty Insurance Company *
Globe American Casualty Company	Ohio Casualty of New Jersey, Inc *
Golden Eagle Insurance Corporation	Ohio Life Brokerage Services, Inc.*
Gulf States AIF, Inc.	Ohio Security Insurance Company *
Hawkeye-Security Insurance Company	Peerless Indemnity Insurance Company
Helmsman Insurance Agency of Illinois, Inc.	Peerless Insurance Company
Helmsman Insurance Agency of Texas, Inc.	San Diego Insurance Company
Heritage-Summit Healthcare of Florida, Inc.	State Agency, Inc. (Indiana corporation)
Indiana Insurance Company	State Agency, Inc. (Wisconsin corporation)
LEXCO Limited	St. James Insurance Company
Liberty Assignment Corporation	Summit Consulting, Inc.
Liberty Energy Canada, Inc. *	Summit Consulting, Inc. of Louisiana
Liberty Financial Services, Inc.	Summit Holding Southeast, Inc.

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## NOTES TO FINANCIAL STATEMENTS

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Liberty Hospitality Group, Inc. Liberty Insurance Company of America Liberty Insurance Corporation Liberty Insurance Holdings, Inc. Liberty Insurance Underwriters, Inc. Liberty Life Assurance Company of Boston Liberty Life Holdings, Inc. Liberty Lloyds of Texas Insurance Company Liberty Management Services, Inc. Liberty Mexico Holdings, Inc. Liberty Mutual Fire Insurance Company	The First Liberty Insurance Corporation The Midwestern Indemnity Company The National Corporation The Netherlands Insurance Company Wausau Service Corporation Wausau Signature Agency, Inc. Wausau Business Insurance Company Wausau General Insurance Company Wausau Underwriters Insurance Company West American Insurance Company *
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\* This company joined the consolidated group in 2007 and its activity from the date it joined the group is included in the consolidated return.

The method of federal income tax allocation is subject to a written agreement. Allocation is based upon separate return calculations with credit applied for losses as appropriate. The Company has the enforceable right to recoup prior year payments in the event of future losses.

### **Note 10- Information concerning Parent, Subsidiaries and Affiliates**

- A. All of the outstanding shares of capital stock of the Company are held by Liberty Mutual Insurance Company (LMIC), a Massachusetts insurance company. LMIC is wholly owned by Liberty Mutual Holding Company Inc., a Massachusetts company.
- B. Transactions entered into by the Company with its affiliates are described on Schedule Y Part 2.
- C. There have been no material transactions with the company's affiliates during 2007.
- D. At December 31, 2007 the Company reported \$ 15,893,688 due to affiliates. In general, the terms of the inter-company arrangement require settlement at least quarterly.
- E. The Company has made no guarantee or initiated undertaking for the benefit of affiliates which result in a material contingent exposure of the Company's or affiliates' assets or liabilities.
- F. See Note 25 for information regarding Inter-Company pooling arrangement.

There is a "Service Agreement" between the Company and LMIC, under which LMIC provides the Company with services of personnel employed by LMIC, office space, supplies, equipment, telephone and wire services, the use of computers and similar machines to the extent necessary or appropriate. The Company has an investment services agreement with LMIC.

There is a "Distribution Agreement" between the Company and Helmsman Insurance Agency, Inc., (Helmsman) whereby Helmsman provides agent commission payments, accounting, office services and other services under the terms of the "Distribution Agreement".

- G. The Company is part of a holding company structure as illustrated in Schedule Y Part 1.
- H. The Company does not own shares of any upstream intermediate or ultimate parent, either directly or indirectly via a downstream subsidiary, controlled or affiliated company.
- I. The Company does not own investments in subsidiary, controlled or affiliated companies.
- J. Impairment of subsidiaries  
Refer to 10 I
- K. Investment in foreign insurance subsidiaries.  
Refer to 10 I
- L. Investment in downstream noninsurance holding companies.  
Refer to 10 I

### **Note 11- Debt**

- A. The Company has no capital notes.
- B. The Company has no outstanding borrowed money.

### **Note 12- Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

The Company does not have any direct employees and therefore, does not have any direct obligations for a defined benefit plan, deferred compensation arrangements, compensated absences or other post retirement benefit plans. Services for the operation of the Company are provided under provisions of the Management Services Agreement described in note 10 F.

## NOTES TO FINANCIAL STATEMENTS

### Note 13- Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

1. Common Stock

The Company has 800 shares authorized, issued, and outstanding as of December 31, 2007. All shares have a stated par value of \$5,500.

2. Preferred Stock

Not applicable

3. Dividend Restrictions

There are no dividend restrictions.

4. The maximum amount of dividends that can be paid by Indiana domiciled insurance companies to shareholders without prior approval of the Insurance Commissioner, is the greater of (a) 10% of policyholder surplus, or (b) net income, not including realized capital gains. The maximum dividend payout that may be made without prior approval during 2008 is \$12,011,891.

5. The Company does not have restricted unassigned surplus.

6. The Company had no advances to surplus.

7. The Company does not hold stock for special purposes.

8. The Company does not hold special surplus funds.

9. The portion of unassigned funds (surplus) represented by cumulative unrealized gains and (losses) is \$(311,087).

10. Surplus Notes

Not applicable

11. Quasi re-organization (dollar impact)

Not applicable

12. Quasi re-organization (effective date)

Not applicable

13. The Company did not pay a dividend to its parent during 2007.

### Note 14- Contingencies

A. Contingent Commitments

The Company has no commitments or contingent commitments to affiliates or other entities as indicated in Note 10 E. The Company has made no guarantees on behalf of affiliates.

B. Assessments

The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments are accrued at the time of insolvencies. Other assessments are accrued either at the time of assessments or in the case of premium based assessments, at the time the premiums are written, or, in the case of loss based assessments, at the time the losses are incurred.

As a result of an Inter-Company reinsurance arrangement (see Note 25), all guaranty fund and other assessments liabilities are ceded to Liberty Mutual Insurance Company.

C. Gain Contingencies

Not applicable

D. Claims related extra contractual obligations and bad faith losses stemming from lawsuits

The company paid the following amounts in the reporting period to settle claims related extra-contractual obligations or bad faith claims stemming from lawsuits.

	Direct
Claims related ECO and bad faith losses paid during the reporting period	\$ 653,310

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

**NOTES TO FINANCIAL STATEMENTS**

( a ) 0-25 Claims	( b ) 26-50 Claims	( c ) 51-100 Claims	( d ) 101-500 Claims	( e ) More than 500 Claims
X				

Indicate whether claim count information is disclosed per claim or per claimant.

( f ) Per Claim [x ]                      ( g ) Per Claimant [ ]

**E. All other Contingencies**

Lawsuits arise against the Company in the normal course of business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the Company.

As disclosed in Note 9 F, the Company is a member of a controlled group for federal income tax purposes, and that group includes Liberty Mutual Group Inc. (LMGI). LMGI is the plan sponsor of the Liberty Mutual Retirement Benefit Plan, a qualified plan under federal law. Pursuant to federal law, if LMGI has not made the minimum required contributions with respect to the Liberty Mutual Retirement Benefit Plan, the Company, jointly and severally with all other members of the controlled group, would be contingently liable to make such contributions.

**Note 15- Leases**

A. The Company is not involved in material lease obligations.

B. Leasing as a significant part of lessor's business activities

Not applicable

**Note 16- Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

The Company is not exposed to financial instruments with off-balance sheet risk or with concentrations of credit risk.

**Note 17- Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

A. Transfers of Receivables reported as sales:

The Company did not have any transfers of receivables reported as sales during the year.

B. Transfers and servicing of financial assets:

The Company participates in a Securities Lending Program to generate additional income, whereby certain fixed income securities are loaned for a period of time from the Company's portfolio to qualifying third parties, via a lending agent. The company does not participate in term loans, therefore, the company does not have contractual collateral transactions that extend beyond one year from the reporting date. Borrowers of these securities provide collateral equal to or in excess of 102% of the market value of the loaned securities. Acceptable collateral may be in the form of cash or U.S. Government securities. The market value of the loaned securities is monitored and additional collateral is obtained if the market value of the collateral falls below 102% of the market value of the loaned securities. Additionally, the lending agent indemnifies the Company against borrower defaults. The loaned securities remain a recorded asset of the Company; however, the Company records a liability for the amount of cash collateral related to the loaned securities.

At December 31, 2007 the total market value of fixed maturities on loan was \$5,163,285.17 with corresponding collateral value of \$5,454,132.02 of which \$4,801,612.00 represents cash collateral.

C. Wash Sales

The Company did not have any wash sale transactions during the year.

**Note 18-Gain or Loss from Uninsured Accident and Health Plans and the Uninsured Portion of Partially Insured Plans**

A. Administrative Services Only (ASO) Plans

Not applicable

B. Administrative Services Contract (ASC) Plans

Not applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contracts

Not applicable

**Note 19- Direct Premium Written/Produced by Managing General Agents/ Third Party Administrators**

The Company has no direct premiums written through managing general agents or third party administrators.

**Note 20- Other Items**

A. The Company has no extraordinary items to report.

## NOTES TO FINANCIAL STATEMENTS

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

- 1) Assets in the amount of \$4,889,134 and \$5,246,943 as of December 31, 2007 and 2006 respectively, were on deposit with government authorities or trustees as required by law.
- 2) In 2006, the Company changed the accounting for claims subject to recoveries from the Michigan Catastrophic Claims Association (MCCA). Effective in 2006, the Company capped Michigan Private Passenger, at an individual level, at \$250,000, the maximum amount for which the Company is liable. Recoveries from the MCCA were treated as claims refunds. Prior to 2006, the Company reported the amounts in excess of the \$250,000 cap as direct losses with an offsetting ceded loss recovery for the amount recoverable from the MCCA. There is no net impact to losses from this change. However, 2006 direct and ceded losses have been significantly reduced as compared to 2005.

D. As a result of the Inter-Company 100% Quota Share Reinsurance Agreement with LMIC (see Note 25), the Company has no exposure to uncollectible premium receivable balances.

E. Business Interruption Insurance Recoveries

The Company does not purchase business interruption coverage.

F. State Transferable Tax Credits

The Company does not hold state transferable tax credits.

G. The Company does not have deposits admitted under section 6603 of the Internal Revenue Services Code.

H. Hybrid Securities

The Company does not hold hybrid securities.

I. Sub-Prime Lending

The Company does not have exposure to sub-prime mortgage related risk.

**Note 21- Events Subsequent**

There were no events subsequent to December 31, 2007 that would require disclosure.

**Note 22- Reinsurance**

- A. Excluding amounts arising pursuant to the Inter-Company 100% Quota Share Reinsurance Agreement, as described in Note 25, the unsecured reinsurance recoverables with an individual reinsurer that exceed 3% of policyholders surplus are listed below.

<u>Reinsurer</u>	<u>Naic No.</u>	<u>Federal ID No.</u>	<u>Recoverable Amount</u>
New Jersey Unsatisfied Claim and Judgment Fund	00000	AA - 9991160	\$171,496,748
General Reinsurance Corp.	22039	13-2673100	\$31,100,000

- B. There are no reinsurance recoverables in dispute from an individual reinsurer which exceeds 5% of the Company's surplus. In addition, the aggregate reinsurance recoverables in dispute do not exceed 10% of the Company's surplus.

- C. The following table sets forth the maximum return premium and commission equity due the reinsurers or the Company if all of the Company's assumed and ceded reinsurance were canceled as of December 31, 2007.

	Assumed Reinsurance		Ceded Reinsurance		Net Reinsurance	
	UEP	Commission Equity	UEP	Commission Equity	UEP	Commission Equity
Affiliates	\$0	\$0	\$76,850	\$0	(\$76,850)	\$0
All Other	\$70,667	\$12,791	0	0	\$70,667	\$12,791
Total	\$70,667	\$12,791	\$76,850	\$0	(\$6,183)	\$12,791

Direct Unearned Premium Reserve: \$6,183

Certain contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued at December 31, 2007 are as follows.

Description	Direct	Assumed	Ceded	Net
Contingent commissions	\$2,221,800	\$0	(\$2,221,800)	\$0
Sliding scale adjustments	0	0	0	0
Other profit commissions	0	0	0	0
Totals	\$2,221,800	\$0	(\$2,221,800)	\$0

The Company does not use protected cells as an alternative to traditional reinsurance.

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## NOTES TO FINANCIAL STATEMENTS

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- D. During the current year, the Company wrote off reinsurance balances of \$12,587. This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	\$12,587
Losses Adjustment Expenses Incurred	
Premiums Earned	
Other Expenses	
Total	\$12,587
Reinsurer	
Nationwide	\$12,587

- E. The Company commuted several ceded reinsurance treaties in the current year with the reinsures' listed below. The net effect of all commutations was a decrease in loss adjustment expense of \$(77,058). This amount is shown below by Income Statement classification and by reinsurer.

Income Statement Classification	Amount
Losses Incurred	(\$77,058)
Losses Adjustment Expenses Incurred	
Premiums Earned	
Other Expenses	
Total	(\$77,058)
Reinsurer	
Excess Insurance Company	(\$68,547)
ECRA	(\$8,511)

- F. The Company has no retroactive reinsurance.

- G. There are no contracts recorded as deposit accounting.

### **Note 23 - Retrospectively Rated Contracts and Contracts Subject to Redetermination**

As a result of the Inter-Company 100% Quota Share Reinsurance Agreement with LMIC (see Note 25), the Company does not have net accrued retrospective premiums.

### **Note 24 - Changes in Incurred Losses and Loss Adjustment Expenses**

- A. As a result of the Inter-Company 100% Quota Share Reinsurance Agreement with LMIC (see Note 25), the Company has no net exposure to changes in incurred losses and loss adjustment expenses.

### **Note 25- Inter-Company Pooling Arrangements**

The Company participates in a 100% Quota Share Reinsurance Agreement with LMIC. Pursuant to the Agreement, after external reinsurance, the Company cedes its net underwriting activity to LMIC.

### **Note 26- Structured Settlements**

- A. As a result of the Inter-Company 100% Quota Share Reinsurance Agreement with LMIC (see Note 25), the Company has no net exposure to contingent liabilities from the purchase of annuities.
- B. Not applicable

### **Note 27 - Health Care Receivables**

Not applicable

### **Note 28 - Participating Policies**

Not applicable

### **Note 29 – Premium Deficiency Reserves**

The Company had no liabilities related to premium deficiency reserves. The Company considers anticipated investment income when calculating its premium deficiency reserves.

### **Note 30- High Dollar Deductible Policies**

As a result of the Inter-Company 100% Quota Share Reinsurance Agreement with LMIC (see Note 25), the Company does not have any net high dollar deductible policy liability.

## NOTES TO FINANCIAL STATEMENTS

### Note 31- Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

Not applicable

### Note 32 - Asbestos/Environmental Reserves

The Company has exposure to asbestos and environmental claims which emanate principally from two main exposures 1) the assumption of certain liabilities and obligations of Prudential-LMI Commercial Insurance Company (Prudential-LMI), effective December 31, 1986 and 2) the assumption of reserves from Everest Reinsurance Holdings, Inc. (Everest Re), related to Prudential Financials' sale of Gibraltar Casualty Company to Everest Re.

The process of establishing reserves for asbestos and environmental claims is subject to greater uncertainty than the establishment of reserves for liabilities relating to other types of insurance claims. A number of factors contribute to this greater uncertainty surrounding the establishment of asbestos and environmental reserves, including, without limitation: (i) the lack of available and reliable historical claims data as an indicator of future loss development, (ii) the long waiting periods between exposure and manifestation of any bodily injury or property damage, (iii) the difficulty in identifying the source of asbestos or environmental contamination, (iv) the difficulty in properly allocating liability for asbestos or environmental damage, (v) the uncertainty as to the number and identity of insureds with potential exposure, (vi) the cost to resolve claims, and (vii) the collectibility of reinsurance.

The uncertainties associated with establishing reserves for asbestos and environmental claims and claim adjustment expenses are compounded by the differing, and at times inconsistent, court rulings on environmental and asbestos coverage issues involving: (i) the differing interpretations of various insurance policy provisions and whether asbestos and environmental losses are, or were ever intended to be, covered; (ii) when the loss occurred and what policies provide coverage; (iii) whether there is an insured obligation to defend; (iv) whether a compensable loss or injury has occurred; (v) how policy limits are determined; (vi) how policy exclusions are applied and interpreted; (vii) the impact of entities seeking bankruptcy protection as a result of asbestos-related liabilities; (viii) whether clean-up costs are covered as insured property damage and (ix) applicable coverage defenses or determinations, if any, including the determination as to whether or not an asbestos claim is a products or completed operation claim subject to an aggregate limit and the available coverage, if any, for that claim.

In recent years, the Company, as well as the industry generally, has witnessed a significant increase in the number of asbestos claims being filed, due to a number of variables, including more intensive advertising by lawyers seeking asbestos claimants, and the increasing focus by plaintiffs on new and previously peripheral defendants, attempts to broaden the interpretation of compensable loss, and courts expanding the scope of the coverage.

As a result of the significant uncertainty inherent in determining a company's asbestos and environmental liabilities, the amount of reserves required to adequately fund the Company's asbestos and environmental claims cannot be accurately estimated using conventional reserving methodologies based upon historical data and trends. As a result, the use of conventional reserving methodologies frequently has to be supplemented by subjective considerations including managerial judgment.

The methods of determining estimates for reported and unreported losses and establishing resulting reserves and related reinsurance recoverables are periodically reviewed and updated, and adjustments resulting from this review are reflected in income currently.

As a direct result of the significant uncertainties associated with estimating its asbestos and environmental exposures and establishing appropriate levels of reserves, the ultimate liability of the Company for asbestos and environmental exposures may vary materially from the reserves currently recorded. The Company and other industry members have and will continue to litigate the broadening judicial interpretation of policy coverage and the liability issues. If the courts continue to expand the scope of the coverage provided, additional liabilities could emerge for amounts in excess of reserves held. This emergence, as well as the other uncertainties noted above, cannot be reasonably estimated, but could have a material impact on the Company's future operating results and financial condition.

The following tables summarize the activity for the Company's asbestos and environmental claims and claim adjustment expenses, a component of the Company's unpaid claims and claim adjustment expenses, for the years ended December 31, 2007, 2006, 2005, 2004, and 2003:

#### Asbestos:

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>Direct Basis</b>					
Beginning Reserves	-	-	-	-	-
Incurred losses and LAE	-	-	-	-	-
Calendar year payments	-	-	-	-	-
Ending Reserves	-	-	-	-	-
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	174,514,566	175,311,805	175,165,320	176,343,834	114,851,469
Incurred losses and LAE	1,681,681	-	2,400,000	(1,800,000)	
Calendar year payments	884,443	146,485	1,221,486	59,692,365	56,001,227
Ending Reserves	175,311,805	175,165,320	176,343,834	114,851,469	58,850,242

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**NOTES TO FINANCIAL STATEMENTS**


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<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	116,641,075	117,516,732	117,370,247	116,206,553	55,884,007
Incurred losses and LAE	1,693,636	-	-	-	-
Calendar year payments	817,978	146,485	1,163,694	60,322,546	55,872,450
Ending Reserves	117,516,732	117,370,247	116,206,553	55,884,007	11,557
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis				-	-
Assumed Reinsurance Basis				110,575,592	-
Net of Ceded Reinsurance Basis				52,683,904	-
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis				-	-
Assumed Reinsurance Basis				853,406	-
Net of Ceded Reinsurance Basis				853,406	-
<b>Environmental:</b>					
<b>Direct Basis</b>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Beginning Reserves	-	-	-	-	-
Incurred losses and LAE	-	-	-	-	-
Calendar year payments	-	-	-	-	-
Ending Reserves	-	-	-	-	-
<b>Assumed Reinsurance Basis</b>					
Beginning Reserves	14,514,566	15,311,805	15,165,320	13,943,834	13,397,469
Incurred losses and LAE	1,681,681	-	-	-	-
Calendar year payments	884,443	146,485	1,221,486	546,365	584,227
Ending Reserves	15,311,805	15,165,320	13,943,834	13,397,469	12,813,242
<b>Net of Ceded Reinsurance Basis</b>					
Beginning Reserves	11,041,075	11,916,732	11,770,247	10,606,553	9,430,007
Incurred losses and LAE	1,693,636	-	-	-	-
Calendar year payments	817,978	146,485	1,163,694	1,176,547	540,896
Ending Reserves	11,916,732	11,770,247	10,606,553	9,430,007	8,889,111
<b>Ending Reserves for Bulk + IBNR included above (Loss &amp; LAE)</b>					
Direct Basis				-	-
Assumed Reinsurance Basis				9,121,592	-
Net of Ceded Reinsurance Basis				6,229,904	-
<b>Ending Reserves for LAE included above (Case, Bulk &amp; IBNR)</b>					
Direct Basis				-	-
Assumed Reinsurance Basis				853,406	-
Net of Ceded Reinsurance Basis				853,406	-

Note: Effective in 2003, as part of the series of transactions related to the sale of the company to LMGI, the Company terminated its keep well agreement under which Prudential Financial, Inc. would reimburse asbestos losses and for which the Company had a permitted practice allowing gross asbestos reserves to be reported net of the keep well agreement. In its place, the Company executed a reinsurance agreement with Vantage Casualty Insurance Company (Vantage), a wholly owned subsidiary of the Prudential whereby any increase in asbestos and pollution reserves are reinsured by Vantage. Vantage's obligations are fully guaranteed by Prudential Financial Inc. Accordingly, the gross and net asbestos reserves have been adjusted in 2003.

**Note 33- Subscriber Savings Accounts**

The Company is not a reciprocal insurance company.

**Note 34 - Multiple Peril Crop Insurance**

Not applicable



## SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	6,937,445	3.564	6,937,445	3.564
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies	13,581,224	6.978	13,581,224	6.978
1.22 Issued by U.S. government sponsored agencies	5,929,600	3.046	5,929,600	3.046
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations	11,956,695	6.143	11,956,695	6.143
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	5,672,645	2.914	5,672,645	2.914
1.43 Revenue and assessment obligations	34,174,876	17.558	34,174,876	17.558
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	9,731,627	5.000	9,731,627	5.000
1.512 Issued or guaranteed by FNMA and FHLMC	39,125,159	20.101	39,125,159	20.101
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	2,786,272	1.431	2,786,272	1.431
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	973,166	0.500	973,166	0.500
1.523 All other	13,347,824	6.858	13,347,824	6.858
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	39,098,396	20.088	39,098,396	20.088
2.2 Unaffiliated foreign securities	464,568	0.239	464,568	0.239
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	5,803,049	2.981	5,803,049	2.981
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated	4,410	0.002	4,410	0.002
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$ 0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$ 0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities	24,356	0.013	24,356	0.013
8. Cash, cash equivalents and short-term investments	5,028,772	2.584	5,028,772	2.584
9. Other invested assets				
10. Total invested assets	194,640,084	100.000	194,640,084	100.000

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

#### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [ X ] No [ ]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [ X ] No [ ] N/A [ ]
- 1.3 State Regulating? Indiana
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [ X ]
- 2.2 If yes, date of change: 12/31/2004
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2004
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 06/30/2006
- 3.4 By what department or departments? Indiana Department of Insurance

- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [ ] No [ X ]
- 4.12 renewals? Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [ ] No [ X ]
- 4.22 renewals? Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [ X ]
- 6.2 If yes, give full information
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [ X ]
- 7.2 If yes,
- 7.21 State the percentage of foreign control 0%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
Ernst & Young, LLP  
200 Clarendon Street, Boston, MA 02116

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification? Roy K. Morell  
175 Berkeley Street, Boston, MA 02116  
Officer of Liberty Mutual Insurance Company

- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]
- |   |       |
|---|-------|
| 11.11 Name of real estate holding company | _____ |
| 11.12 Number of parcels involved          | 0     |
| 11.13 Total book/adjusted carrying value  | \$ 0  |

11.2 If yes, provide explanation

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [X]

12.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [X]

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [X]

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

13.11 If the response to 13.1 is No, please explain:

13.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

13.21 If the response to 13.2 is Yes, provide information related to amendment(s).

13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

### BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

### FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers	\$ 0
18.12 To stockholders not officers	\$ 0
18.13 Trustees, supreme or grand (Fraternal only)	\$ 0

18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers	\$ 0
18.22 To stockholders not officers	\$ 0
18.23 Trustees, supreme or grand (Fraternal only)	\$ 0

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- |       |                      |    |   |
|-------|----------------------|----|---|
| 19.21 | Rented from others   | \$ | 0 |
| 19.22 | Borrowed from others | \$ | 0 |
| 19.23 | Leased from others   | \$ | 0 |
| 19.24 | Other                | \$ | 0 |
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [X]
- 20.2 If answer is yes:
- |       |  |    |   |
|-------|--|----|---|
| 20.21 | Amount paid as losses or risk adjustment | \$ | 0 |
| 20.22 | Amount paid as expenses                  | \$ | 0 |
| 20.23 | Other amounts paid                       | \$ | 0 |
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

### INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No [ ]
- 22.2 If no, give full and complete information, relating thereto
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1). Yes [X] No [ ]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- |        |  |    |           |
|--------|--|----|-----------|
| 23.21  | Loaned to others                                 | \$ | 5,163,285 |
| 23.22  | Subject to repurchase agreements                 | \$ | 0         |
| 23.23  | Subject to reverse repurchase agreements         | \$ | 0         |
| 23.24  | Subject to dollar repurchase agreements          | \$ | 0         |
| 23.25  | Subject to reverse dollar repurchase agreements  | \$ | 0         |
| 23.26  | Pledged as collateral                            | \$ | 0         |
| 23.27  | Placed under option agreements                   | \$ | 0         |
| 23.28  | Letter stock or securities restricted as to sale | \$ | 0         |
| 23.29  | On deposit with state or other regulatory body   | \$ | 4,889,134 |
| 23.291 | Other  | \$ | 0         |

23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
- If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No [ ]

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
JP MORGAN CHASE	3 Chase Metro Tech Center, Brooklyn, NY 11245

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [ ] No [X]

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [  ] No [  ]

27.2 If yes, complete the following schedule:

1 CUSIP#	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999	Total	

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	193,150,552	193,949,669	799,117
28.2 Preferred stocks		15	15
28.3 Totals	193,150,552	193,949,684	799,132

28.4 Describe the sources or methods utilized in determining the fair values: IDC, Bloomberg, NAIC-SVO, Broker Quotes, Analytically Determined

.....

.....

29.1 Have all the filing requirements of the Purposes and Procedures manual of the NAIC Securities Valuation Office been followed? Yes [  ] No [  ]

29.2 If no, list exceptions: .....

.....

.....

### OTHER

30.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ \_\_\_\_\_ 0

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$
	\$

31.1 Amount of payments for legal expenses, if any? \$ \_\_\_\_\_ 0

## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

31.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$
	\$

32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$ \_\_\_\_\_ 0

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
	\$
	\$
	\$
	\$

**GENERAL INTERROGATORIES**

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? YES [ ] NO [X]  
 1.2 If yes, indicate premium earned on U. S. business only. \$ 0  
 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0  
 1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0  
 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0

1.6 Individual policies:  
 Most current three years:  
 1.61 Total premium earned \$ 0  
 1.62 Total incurred claims \$ 0  
 1.63 Number of covered lives \$ 0  
 All years prior to most current three years:  
 1.64 Total premium earned \$ 0  
 1.65 Total incurred claims \$ 0  
 1.66 Number of covered lives \$ 0

1.7 Group policies:  
 Most current three years:  
 1.71 Total premium earned \$ 0  
 1.72 Total incurred claims \$ 0  
 1.73 Number of covered lives \$ 0  
 All years prior to most current three years:  
 1.74 Total premium earned \$ 0  
 1.75 Total incurred claims \$ 0  
 1.76 Number of covered lives \$ 0

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 0	\$ 0
2.2 Premium Denominator	\$ (2,923)	\$ 13,399
2.3 Premium Ratio (2.1/2.2)	0.00	0.00
2.4 Reserve Numerator	\$ 0	\$ 0
2.5 Reserve Denominator	\$ 45,910,059	\$ 112,456,816
2.6 Reserve Ratio (2.4/2.5)	0.00	0.00

3.1 Does the reporting entity issue both participating and non-participating policies? YES [ ] NO [X]  
 3.2 If yes, state the amount of calendar year premiums written on:  
 3.21 Participating policies \$ 0  
 3.22 Non-participating policies \$ 0

4. For Mutual Reporting Entities and Reciprocal Exchange only:  
 4.1 Does the reporting entity issue assessable policies? YES [ ] NO [X]  
 4.2 Does the reporting entity issue non-assessable policies? YES [ ] NO [X]  
 4.3 If assessable policies are issued, what is the extent of the contingent liability of the policyholders? 0 %  
 4.4 Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums. \$ 0

5. For Reciprocal Exchanges Only:  
 5.1 Does the exchange appoint local agents? YES [ ] NO [X]  
 5.2 If yes, is the commission paid:  
 5.21 Out of Attorney's-in-fact compensation YES [ ] NO [ ] N/A [X]  
 5.22 As a direct expense of the exchange YES [ ] NO [ ] N/A [X]

5.3 What expenses of the Exchange are not paid out of the compensation of the Attorney-in-fact?  
 5.4 Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred? YES [ ] NO [X]  
 5.5 If yes, give full information

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

- 6.1 What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss: The Company has a 100% Quota Share Agreement with Liberty Mutual Insurance Company.
- 6.2 Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process: The Company employs industry recognized catastrophe modeling software to estimate the PML. For property exposures, we employ RiskLink v 6.0 by RMS and AIR Classic v8.0 from AIR. For WC, Liberty Mutual utilizes RiskLink v6.0 from RMS.
- 6.3 What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss? The Company has a 100% Quota Share Agreement with Liberty Mutual Insurance Company.
- 6.4 Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence? YES  NO
- 6.5 If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss
- 7.1 Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)? YES  NO
- 7.2 If yes, indicate the number of reinsurance contracts containing such provisions. 0
- 7.3 If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)? YES  NO
- 8.1 Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured? YES  NO
- 8.2 If yes, give full information
- 9.1 Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
 (a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
 (b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
 (c) Aggregate stop loss reinsurance coverage;  
 (d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
 (e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
 (f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity. YES  NO
- 9.2 Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under common control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
 (a) The written premium ceded to the reinsurer by the reporting entity or its affiliates represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
 (b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract. YES  NO
- 9.3 If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
 (a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
 (b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
 (c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.
- 9.4 Except for transactions meeting the requirements of paragraph 30 of SSAP No. 62, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
 (a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
 (b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP? YES  NO



**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

- 9.5 If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.
- 9.6 The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:
- (a) The entity does not utilize reinsurance; or, YES [ ] NO [X]
- (b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or, YES [ ] NO [X]
- (c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement. YES [ ] NO [X]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done? YES [X] NO [ ] N/A [ ]
- 11.1 Has the reporting entity guaranteed policies issued by any other entity and now in force: YES [ ] NO [X]
- 11.2 If yes, give full information
- 12.1 If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 13.3 of the asset schedule, Page 2, state the amount of corresponding liabilities recorded for:
- |   |    |   |
|---|----|---|
| 12.11 Unpaid losses   | \$ | 0 |
| 12.12 Unpaid underwriting expenses (including loss adjustment expenses) | \$ | 0 |
- 12.2 Of the amount on Line 13.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds? \$ 0
- 12.3 If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses? YES [ ] NO [X] N/A [ ]
- 12.4 If yes, provide the range of interest rates charged under such notes during the period covered by this statement:
- |            |         |
|------------|---------|
| 12.41 From | 0.000 % |
| 12.42 To   | 0.000 % |
- 12.5 Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies? YES [ ] NO [X]
- 12.6 If yes, state the amount thereof at December 31 of current year:
- |                                  |    |   |
|----------------------------------|----|---|
| 12.61 Letters of Credit          | \$ | 0 |
| 12.62 Collateral and other funds | \$ | 0 |
- 13.1 Largest net aggregate amount insured in any one risk (excluding workers' compensation): \$ 0
- 13.2 Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision? YES [X] NO [ ]
- 13.3 State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount. 1
- 14.1 Is the company a cedant in a multiple cedant reinsurance contract? YES [X] NO [ ]
- 14.2 If yes, please describe the method of allocating and recording reinsurance among the cedants:
- 14.3 If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts? YES [ ] NO [X]
- 14.4 If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements? YES [ ] NO [X]
- 14.5 If the answer to 14.4 is no, please explain:
- 15.1 Has the reporting entity guaranteed any financed premium accounts? YES [ ] NO [X]
- 15.2 If yes, give full information
- 16.1 Does the reporting entity write any warranty business? YES [ ] NO [X]
- If yes, disclose the following information for each of the following types of warranty coverage:

	1 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 Direct Premium Earned
16.11 Home	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.12 Products	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.13 Automobile	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
16.14 Other*	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

\* Disclose type of coverage: \_\_\_\_\_

**GENERAL INTERROGATORIES**  
(Continued)

**PART 2 - PROPERTY & CASUALTY INTERROGATORIES**

17.1 Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F - Part 3 that it excludes from Schedule F - Part 5. YES [ ] NO [X]  
 Incurred but not reported losses on contracts not in force prior to July 1, 1984 and not subsequently renewed are exempt from inclusion in Schedule F - Part 5. Provide the following information for this exemption:

17.11	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$	0
17.12	Unfunded portion of Interrogatory 17.11	\$	0
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11	\$	0
17.14	Case reserves portion of Interrogatory 17.11	\$	0
17.15	Incurred but not reported portion of Interrogatory 17.11	\$	0
17.16	Unearned premium portion of Interrogatory 17.11	\$	0
17.17	Contingent commission portion of Interrogatory 17.11	\$	0

Provide the following information for all other amounts included in Schedule F - Part 3 and excluded from Schedule F - Part 5, not included above.

17.18	Gross amount of unauthorized reinsurance in Schedule F - Part 3 excluded from Schedule F - Part 5	\$	0
17.19	Unfunded portion of Interrogatory 17.18	\$	0
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18	\$	0
17.21	Case reserves portion of Interrogatory 17.18	\$	0
17.22	Incurred but not reported portion of Interrogatory 17.18	\$	0
17.23	Unearned premium portion of Interrogatory 17.18	\$	0
17.24	Contingent commission portion of Interrogatory 17.18	\$	0

## FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e., 17.6.

	1 2007	2 2006	3 2005	4 2004	5 2003
<b>Gross Premiums Written</b> (Page 8, Part 1B, Cols. 1, 2 & 3)					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	(168,968)	(13,367)	(2,511,649)	188,963,416	522,024,193
2. Property lines (Lines 1, 2, 9, 12, 21 & 26)	234,420	500,884	(725,708)	126,014,583	368,316,786
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	273,881	301,924	33,794	46,568,341	409,190,795
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
5. Nonproportional reinsurance lines (Lines 30, 31 & 32)	(2,760)	16,368	7,213		6,239
6. Total (Line 34)	336,573	805,809	(3,196,350)	361,546,340	1,299,538,013
<b>Net Premiums Written</b> (Page 8, Part 1B, Col. 6)					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)					329,807,563
8. Property lines (Lines 1, 2, 9, 12, 21 & 26)					223,401,689
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)			1		111,215,660
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
11. Nonproportional reinsurance lines (Lines 30, 31 & 32)	(2,924)	13,399	568		303,945
12. Total (Line 34)	(2,924)	13,399	569		664,728,857
<b>Statement of Income</b> (Page 4)					
13. Net underwriting gain (loss) (Line 8)	111,056	(2,633,634)	(5,033,388)	(2,979,326)	(31,407,062)
14. Net investment gain (loss) (Line 11)	12,557,718	33,010,415	37,445,785	69,742,391	149,024,820
15. Total other income (Line 15)	(32,068)	166	(16,511)	(2,613)	(55,122,332)
16. Dividends to policyholders (Line 17)					
17. Federal and foreign income taxes incurred (Line 19)	3,073,434	1,983,890	3,336,416	(5,546,877)	(57,418,103)
18. Net income (Line 20)	9,563,272	28,393,057	29,059,470	72,307,329	119,913,529
<b>Balance Sheet Lines</b> (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 24, Col. 3)	242,741,756	355,438,618	996,278,146	909,975,215	2,195,625,126
20. Premiums and considerations (Page 2, Col. 3)					
20.1 In course of collection (Line 13.1)	102,971	265,407	279,466	97,105	
20.2 Deferred and not yet due (Line 13.2)	122	16,587			
20.3 Accrued retrospective premiums (Line 13.3)					
21. Total liabilities excluding protected cell business (Page 3, Line 24)	74,778,910	197,963,976	294,908,687	234,714,973	1,600,399,383
22. Losses (Page 3, Line 1)	37,138,924	103,260,242	168,619,674	169,171,329	230,073,144
23. Loss adjustment expenses (Page 3, Line 3)	2,133,515	2,261,017	18,455,878	7,330,000	7,700,494
24. Unearned premiums (Page 3, Line 9)					
25. Capital paid up (Page 3, Lines 28 & 29)	4,400,000	4,400,000	4,400,000	4,400,000	4,400,000
26. Surplus as regards policyholders (Page 3, Line 35)	167,962,846	157,474,642	701,369,459	675,260,242	595,225,743
<b>Cash Flow</b> (Page 5)					
27. Net cash from operations (Line 11)	(81,183,007)	(62,370,155)	73,156,918	49,504,897	(799,763,517)
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital	167,962,846	157,474,642	701,369,459	675,260,242	595,225,743
29. Authorized control level risk-based capital	7,725,236	17,557,258	29,734,176	29,311,145	91,614,964
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 10, Col. 3) x 100.0					
30. Bonds (Line 1)	94.4	85.2	93.7	88.7	85.1
31. Stocks (Lines 2.1 & 2.2)					
32. Mortgage loans on real estate (Lines 3.1 and 3.2)					
33. Real estate (Lines 4.1, 4.2 & 4.3)					
34. Cash, cash equivalents and short-term investments (Line 5)	5.6	14.8	6.3	10.9	14.6
35. Contract loans (Line 6)					
36. Other invested assets (Line 7)				0.4	0.2
37. Receivables for securities (Line 8)					0.1
38. Aggregate write-ins for invested assets (Line 9)					
39. Cash, cash equivalents and invested assets (Line 10)	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
40. Affiliated bonds, (Sch. D, Summary, Line 25, Col. 1)					
41. Affiliated preferred stocks (Sch. D, Summary, Line 39, Col. 1)					
42. Affiliated common stocks (Sch. D, Summary, Line 53, Col. 1)					
43. Affiliated short-term investments (subtotals included in Schedule DA, Part 2, Col. 5, Line 7)					
44. Affiliated mortgage loans on real estate					
45. All other affiliated					
46. Total of above Lines 40 to 45					
47. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 46 above divided by Page 3, Col. 1, Line 35 x 100.0)					

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1 2007	2 2006	3 2005	4 2004	5 2003
<b>Capital and Surplus Accounts</b> (Page 4)					
48. Net unrealized capital gains (losses) (Line 24)	(202,772)	175,169	(191,585)	49,552	(5,398,632)
49. Dividends to stockholders (Line 35)		(128,291,212)			
50. Change in surplus as regards policyholders for the year (Line 38)	10,488,204	(543,894,817)	31,359,217	80,034,499	76,679,677
<b>Gross Losses Paid</b> (Page 9, Part 2, Cols. 1 & 2)					
51. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	49,087,308	83,530,446	147,343,269	303,670,229	421,793,223
52. Property lines (Lines 1, 2, 9, 12, 21 & 26)	(46,927)	(504,431)	3,800,312	97,113,638	208,644,498
53. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	7,596,470	11,721,761	36,133,780	179,064,302	236,421,089
54. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
55. Nonproportional reinsurance lines (Lines 30, 31 & 32)	56,727,473	60,256,960	3,205,433	6,695,668	(24,612,840)
56. Total (Line 34)	113,364,324	155,004,736	190,482,794	586,543,837	842,245,970
<b>Net Losses Paid</b> (Page 9, Part 2, Col. 4)					
57. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)	1,135,484	1,297,233	1,085,170	3,355,927	731,678,167
58. Property lines (Lines 1, 2, 9, 12, 21 & 26)	70,519	105,979	(190,687)	(3)	150,983,251
59. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27)	7,073,003	(303,894)	2,886,081	22,557,059	266,652,781
60. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29 & 33)					
61. Nonproportional reinsurance lines (Lines 30, 31 & 32)	56,650,495	59,954,072	2,909,234	6,695,668	(25,650,885)
62. Total (Line 34)	64,929,501	61,053,390	6,689,798	32,608,651	1,123,663,314
<b>Operating Percentages</b> (Page 4) (Item divided by Page 4, Line 1) x 100.0					
63. Premiums earned (Line 1)	100.0	100.0	100.0	100.0	100.0
64. Losses incurred (Line 2)	40,773.7	(1,721.2)	844,770.0		66.5
65. Loss expenses incurred (Line 3)	(36,884.3)	21,477.5	(11.8)		11.1
66. Other underwriting expenses incurred (Line 4)	10.0	(0.9)	43,064.6		25.3
67. Net underwriting gain (loss) (Line 8)	(3,799.4)	(19,655.5)	(887,722.8)		(2.9)
<b>Other Percentages</b>					
68. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 34 x 100.0)	(1,086.7)	(2.2)	45,814.9		49.1
69. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0)	3,889.4	19,756.4	844,758.2		77.6
70. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 34 divided by Page 3, Line 35, Col. 1 x 100.0)	(0.0)				111.7
<b>One Year Loss Development (000 omitted)</b>					
71. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2 - Summary, Line 12, Col. 11)	(548)	970	4,476	(5,816)	(121)
72. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 71 above divided by Page 4, Line 21, Col. 1 x 100.0)	(0.3)	0.1	0.7	(1.0)	
<b>Two Year Loss Development (000 omitted)</b>					
73. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2 - Summary, Line 12, Col. 12)	422	5,446	(1,492)	(2,178)	11,622
74. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 73 above divided by Page 4, Line 21, Col. 2 x 100.0)	0.1	0.8	(0.3)	(0.4)	1.6

**SCHEDULE D - SUMMARY BY COUNTRY**  
Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1	2	3	4
		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
<b>BONDS</b> Governments (Including all obligations guaranteed by governments)	1. United States .....	36,179,899	36,676,202	36,285,884	35,856,394
	2. Canada .....				
	3. Other Countries .....				
	4. Totals	36,179,899	36,676,202	36,285,884	35,856,394
States, Territories and Possessions (Direct and guaranteed)	5. United States .....	11,956,694	12,109,670	11,952,870	12,000,000
	6. Canada .....				
	7. Other Countries .....				
	8. Totals	11,956,694	12,109,670	11,952,870	12,000,000
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States .....	5,672,646	5,803,645	5,867,096	5,700,000
	10. Canada .....				
	11. Other Countries .....				
	12. Totals	5,672,646	5,803,645	5,867,096	5,700,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States .....	77,633,855	78,247,754	77,677,239	77,872,294
	14. Canada .....				
	15. Other Countries .....				
	16. Totals	77,633,855	78,247,754	77,677,239	77,872,294
Public Utilities (unaffiliated)	17. United States .....	4,502,020	4,470,320	4,504,980	4,500,000
	18. Canada .....				
	19. Other Countries .....				
	20. Totals	4,502,020	4,470,320	4,504,980	4,500,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States .....	47,369,815	46,821,948	48,664,368	46,981,500
	22. Canada .....				
	23. Other Countries .....	464,568	449,075	455,250	500,000
	24. Totals	47,834,383	47,271,023	49,119,618	47,481,500
Parent, Subsidiaries and Affiliates	25. Totals				
	<b>26. Total Bonds</b>	183,779,497	184,578,614	185,407,687	183,410,188
<b>PREFERRED STOCKS</b> Public Utilities (unaffiliated)	27. United States .....				
	28. Canada .....				
	29. Other Countries .....				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States .....				
	32. Canada .....				
	33. Other Countries .....				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States .....		15		
	36. Canada .....				
	37. Other Countries .....				
	38. Totals		15		
Parent, Subsidiaries and Affiliates	39. Totals				
	<b>40. Total Preferred Stocks</b>		15		
<b>COMMON STOCKS</b> Public Utilities (unaffiliated)	41. United States .....				
	42. Canada .....				
	43. Other Countries .....				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States .....				
	46. Canada .....				
	47. Other Countries .....				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States .....	4,410	4,410		
	50. Canada .....				
	51. Other Countries .....				
	52. Totals	4,410	4,410		
Parent, Subsidiaries and Affiliates	53. Totals				
	<b>54. Total Common Stocks</b>	4,410	4,410		
	55. Total Stocks	4,410	4,425		
	56. Total Bonds and Stocks	183,783,907	184,583,039	185,407,687	

**SCHEDULE D - VERIFICATION BETWEEN YEARS**  
Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year .....	<u>280,404,552</u>	7. Amortization of premium .....	<u>380,555</u>
2. Cost of bonds and stocks acquired, Column 7, Part 3 .....	<u>4,975,655</u>	8. Foreign Exchange Adjustment:	
3. Accrual of discount .....	<u>174,858</u>	8.1 Column 15, Part 1 .....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2 Section 1 .....	
4.1 Columns 12 - 14, Part 1 .....	<u>(315,497)</u>	8.3 Column 16, Part 2, Section 2 .....	
4.2 Column 15 - 17, Part 2, Section 1 .....		8.4 Column 15, Part 4 .....	
4.3 Column 15, Part 2, Section 2 .....	<u>3,540</u>	9. Book/adjusted carrying value at end of current period .....	<u>183,783,907</u>
4.4 Column 11 - 13, Part 4 .....	<u>(311,957)</u>	10. Total valuation allowance .....	
5. Total gain (loss), Column 19, Part 4 .....	<u>(413,525)</u>	11. Subtotal (Lines 9 plus 10) .....	<u>183,783,907</u>
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4 .....	<u>100,665,121</u>	12. Total nonadmitted amounts .....	
		13. Statement value of bonds and stocks, current period .....	<u>183,783,907</u>

**SCHEDULE P-ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P-PART 1-SUMMARY**

(\$000 omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments							12 Number of Claims Reported - Direct and Assumed	
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior	X X X	X X X	X X X	66,502	8,644	606	6	987	402		59,043	X X X
2. 1998	1,099,346	1,099,305	41	660,137	660,116	21,525	21,512	116,041	116,108		(33)	X X X
3. 1999	1,031,254	1,031,219	35	623,769	623,750	19,827	19,768	114,409	114,444		43	X X X
4. 2000	1,080,428	1,080,392	36	717,491	717,214	23,136	23,025	124,195	124,275		308	X X X
5. 2001	1,204,352	1,200,732	3,620	882,206	876,881	27,728	26,977	129,570	125,959		9,687	X X X
6. 2002	1,308,335	1,304,294	4,041	923,845	907,062	26,800	25,436	105,763	104,374		19,536	X X X
7. 2003	1,309,881	1,305,637	4,244	795,126	757,261	21,257	20,847	43,753	42,106		39,922	X X X
8. 2004	729,052	729,052		380,601	380,543	15,547	15,534	4,670	7,062		(2,321)	X X X
9. 2005	28,976	28,976		18,414	18,414	816	816	(2,603)	933		(3,536)	X X X
10. 2006	1,120	1,107	13	(47)	(47)	(11)	(11)	(3,097)	(3,097)			X X X
11. 2007	715	718	(3)	(3)	(3)			358	358			X X X
12. Totals	X X X	X X X	X X X	5,068,041	4,949,835	157,231	153,910	634,046	632,924		122,649	X X X

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior	272,190	247,952	18,072	5,518				7,278	5,144		38,926	X X X	
2. 1998	896	881					1	86	86		15	X X X	
3. 1999	929	867	342	342			243	101	101		62	X X X	
4. 2000	2,252	2,250	417	417			448	169	169		2	X X X	
5. 2001	3,409	3,301	425	425			834	256	256		108	X X X	
6. 2002	5,529	5,342	871	871			1,527	397	397		187	X X X	
7. 2003	12,090	12,119	4,378	4,378			2,376	972	972		(29)	X X X	
8. 2004	10,882	10,882	1,344	1,344			2,431	1,798	1,798			X X X	
9. 2005	746	746	2,110	2,110			113	4,745	4,745			X X X	
10. 2006	153	153	80	80			2	6,364	6,364			X X X	
11. 2007								20,794	20,794			X X X	
12. Totals	309,076	284,493	28,039	15,485			7,975	42,960	40,826		39,271	X X X	

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred / Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves After Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior	X X X	X X X	X X X	X X X	X X X	X X X			X X X	36,792	2,134
2. 1998	798,686	798,704	(18)	72.651	72.655	(43.902)				15	
3. 1999	759,620	759,515	105	73.660	73.652	300.000				62	
4. 2000	868,108	867,798	310	80.349	80.323	861.111				2	
5. 2001	1,044,428	1,034,633	9,795	86.721	86.167	270.580				108	
6. 2002	1,064,732	1,045,009	19,723	81.381	80.121	488.072				187	
7. 2003	879,952	840,059	39,893	67.178	64.341	939.986				(29)	
8. 2004	417,273	419,594	(2,321)	57.235	57.553						
9. 2005	24,341	27,877	(3,536)	84.004	96.207						
10. 2006	3,444	3,444		307.500	311.111						
11. 2007	21,149	21,149		2,957.902	2,945.543						
12. Totals	X X X	X X X	X X X	X X X	X X X	X X X			X X X	37,137	2,134

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

**SCHEDULE P-PART 2-SUMMARY**

Years in Which Losses Were Incurred	Incurred Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										DEVELOPMENT	
	1	2	3	4	5	6	7	8	9	10	11	12
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	One Year	Two Year
1. Prior	69,106	69,091	67,199	72,410	74,494	76,131	71,534	76,552	77,557	77,686	129	1,134
2. 1998				1	3	8	81	139	34	49	15	(90)
3. 1999	X X X			2	300	151	(503)	154	159	140	(19)	(14)
4. 2000	X X X	X X X		10	1,010	685	1,420	367	388	390	2	23
5. 2001	X X X	X X X	X X X	215	7,099	7,285	7,634	6,973	6,180	6,184	4	(789)
6. 2002	X X X	X X X	X X X	X X X	20,459	18,984	21,021	20,637	18,485	18,334	(151)	(2,303)
7. 2003	X X X	X X X	X X X	X X X	X X X	38,836	35,077	35,766	38,785	38,246	(539)	2,480
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	(62)	90	60	71	11	(19)
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X					
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X				X X X
11. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X		X X X	X X X
12. Totals											(548)	422

**SCHEDULE P-PART 3-SUMMARY**

Years in Which Losses Were Incurred	Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)										11 Number of Claims Closed With Loss Payment	12 Number of Claims Closed Without Loss Payment
	1	2	3	4	5	6	7	8	9	10		
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		
1. Prior	000	4,142	8,357	11,414	(61,821)	(84,826)	(82,462)	(77,916)	(17,564)	40,894	X X X	X X X
2. 1998				1	3	8	10	12	19	34	X X X	X X X
3. 1999	X X X			2	4	75	148	89	44	78	X X X	X X X
4. 2000	X X X	X X X		10	50	252	321	344	386	388	X X X	X X X
5. 2001	X X X	X X X	X X X	185	3,533	4,707	5,427	5,418	6,033	6,076	X X X	X X X
6. 2002	X X X	X X X	X X X	X X X	7,546	15,548	17,627	17,776	18,121	18,147	X X X	X X X
7. 2003	X X X	X X X	X X X	X X X	X X X	9,114	28,749	30,721	31,283	38,275	X X X	X X X
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X	(62)	(60)	65	71	X X X	X X X
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X				X X X	X X X
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X			X X X	X X X
11. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X		X X X	X X X

**SCHEDULE P-PART 4-SUMMARY**

Years in Which Losses Were Incurred	Bulk and IBNR Reserves On Net Losses and Defense and Cost Containment Expenses Reported At Year End (\$000 OMITTED)									
	1	2	3	4	5	6	7	8	9	10
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1. Prior	20,096	18,543	15,857	19,429	97,205	136,901	125,908	116,438	2,554	12,554
2. 1998							66			
3. 1999	X X X				275		81			
4. 2000	X X X	X X X			826		347			
5. 2001	X X X	X X X	X X X		3,856	2,100	1,484	1,253		
6. 2002	X X X	X X X	X X X	X X X	12,545	2,100	3,029	2,558		
7. 2003	X X X	X X X	X X X	X X X	X X X	15,200	5,451	4,751	7,393	
8. 2004	X X X	X X X	X X X	X X X	X X X	X X X		(5)	(5)	
9. 2005	X X X	X X X	X X X	X X X	X X X	X X X	X X X			
10. 2006	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X		
11. 2007	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**  
**Allocated by States and Territories**

States, Etc.	1 Is Insurer Licensed? (Yes or No)	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges Not Included in Premiums	9 Direct Premium Written for Federal Purchasing Groups (Included in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama	AL	YES			35,051	(41,788)	77,525		
2. Alaska	AK	YES							
3. Arizona	AZ	YES	(2,329)	(2,329)	274,432	(291,707)	724,431	(9)	
4. Arkansas	AR	YES			91,502	23,588	22,411		
5. California	CA	YES	9,898	39,884	670,171	(1,691,403)	1,514,282		
6. Colorado	CO	YES			246,210	35,532	287,581		
7. Connecticut	CT	YES			3,315,571	766,826	3,215,875		
8. Delaware	DE	YES			591,262	(125,077)	602,522		
9. Dist. Columbia	DC	YES			8,053	(1,057)	978,479		
10. Florida	FL	YES			3,536,805	199,543	2,173,216		
11. Georgia	GA	YES	163	574	423,442	(293,861)	688,857		
12. Hawaii	HI	YES							
13. Idaho	ID	YES			104,818	690	276,778		
14. Illinois	IL	YES	298	2,217	1,179,659	(164,277)	1,984,862		
15. Indiana	IN	YES			914,083	(142,995)	464,780		
16. Iowa	IA	YES			12,570	(43,174)	28,438		
17. Kansas	KS	YES			58,939	(50,765)	26,444		
18. Kentucky	KY	YES			88,305	(201,127)	205,582		
19. Louisiana	LA	YES			1,144,019	190,895	840,148		
20. Maine	ME	YES			212,813	(70,582)	214,925		
21. Maryland	MD	YES			336,521	(257,445)	397,798		
22. Massachusetts	MA	YES			704,601	604	130,230		
23. Michigan	MI	YES	(33)	(33)	506,685	(208,576)	6,514,754		
24. Minnesota	MN	YES			616,671	(131,036)	670,525		
25. Mississippi	MS	YES			46,726	(121,736)	144,058		
26. Missouri	MO	YES			129,165	(127,895)	60,545		
27. Montana	MT	YES			104,141	(21,915)	57,633		
28. Nebraska	NE	YES			67,465	2,501	36,714		
29. Nevada	NV	YES			630,072	(94,665)	524,117		
30. New Hampshire	NH	YES			13,811	(42,523)	104,035		
31. New Jersey	NJ	NO			6,221,286	580,585	180,951,796		
32. New Mexico	NM	YES			253,699	23,298	134,827		
33. New York	NY	YES	1,171	2,154	7,944,787	(714,600)	9,365,053		
34. No. Carolina	NC	YES	7,263	12,810	82,022	(10,584)	69,323		
35. No. Dakota	ND	YES			14,532	(40,659)	29,717		
36. Ohio	OH	YES			702,782	(1,678,342)	501,588		
37. Oklahoma	OK	YES			147,760	(393,931)	357,294		
38. Oregon	OR	YES			(9,323)	(41,450)	122,201		
39. Pennsylvania	PA	YES	(408)	(408)	7,856,403	496,374	31,538,809		
40. Rhode Island	RI	YES	1,354	1,354	800,984	70,053	508,444		
41. So. Carolina	SC	YES			139,015	(139,541)	205,429		
42. So. Dakota	SD	YES			96,460	13,899	173,375		
43. Tennessee	TN	YES	(553)	(553)	23,608	(79,366)	78,377		
44. Texas	TX	YES			484,307	(504,364)	714,402		
45. Utah	UT	YES			334,557	(63,344)	92,242		
46. Vermont	VT	YES			94,500	47,779	13,695		
47. Virginia	VA	YES	12,231	35,269	511,599	(401,606)	463,482		
48. Washington	WA	YES			80,527	(85,107)	301,561		
49. West Virginia	WV	YES			324,915	6,209	155,875		
50. Wisconsin	WI	YES	102	3,382	636,176	27,029	235,748		
51. Wyoming	WY	YES			21,641	(35,428)	11,772		
52. American Samoa	AS	NO							
53. Guam	GU	NO							
54. Puerto Rico	PR	NO							
55. U.S. Virgin Islands	VI	NO							
56. Northern Mariana Islands	MP	NO							
57. Canada	CN	NO							
58. Aggregate other alien	OT	X X X							
59. Totals	(a) 50		29,157	94,321	42,825,800	(5,826,521)	248,992,555	(9)	

DETAILS OF WRITE-INS									
5801.	X X X								
5802.	X X X								
5803.	X X X								
5898. Summary of remaining write-ins for Line 58 from overflow page	X X X								
5899. Totals (Lines 5801 through 5803 + 5898) (Line 58 above)	X X X								

**Explanation of basis of allocation of premiums by states, etc.**

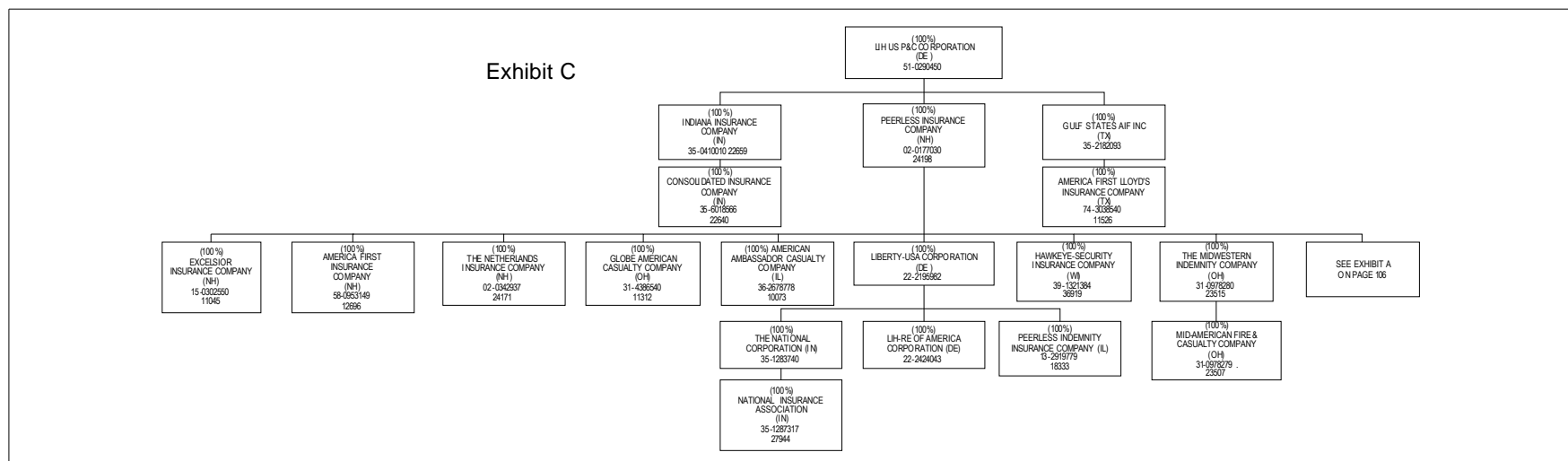
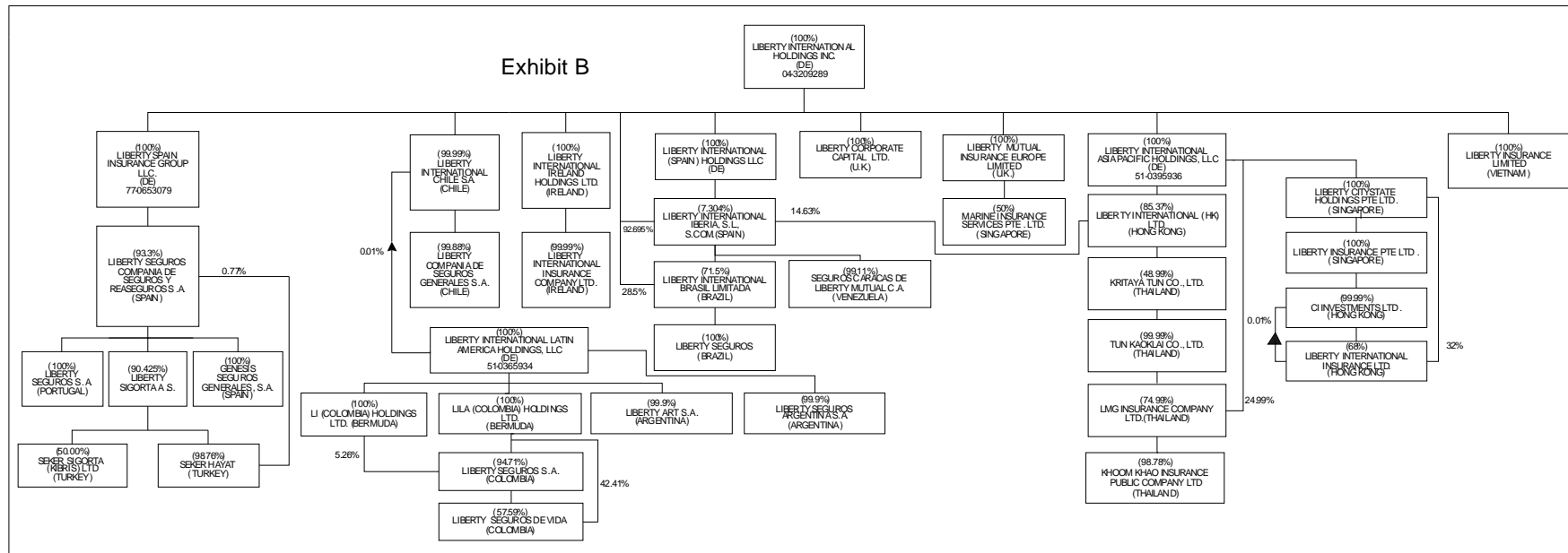
- \*Location of coverage - Fire, Allied Lines, Homeowners Multi Peril, Commercial Multi Peril, Earthquake, Boiler and Machinery
- \*States of Jurisdiction under which payrolls and resulting premiums are developed - Worker's Compensation
- \*Location of Principal place of garaging of each individual car - Auto Liability, Auto Physical Damage
- \*Principal Location of business or location of coverage - Liability other than Auto, Fidelity
- \*Point of origin of shipment or principal location of assured - Inland Marine
- \*State in which employees regularly work - Group Accident and Health
- \*Location of Court - Surety
- \*Address of Assured - Other Accident and Health
- \*Location of Properties covered - Burglary and Theft
- \*Principal Location of Assured - Ocean Marine, Credit
- \*Primary residence of Assured - Aircraft (all perils)

(a) Insert the number of yes responses except for Canada and Other Alien.





**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 - ORGANIZATIONAL CHART**



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**OVERFLOW PAGE FOR WRITE-INS**

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